

Home Buyer Guide & Assistance Programs

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www.seattle.gov/housing

Starting Out — Are you ready to buy?

If homeownership is your dream

it can become a reality through careful planning and budgeting, realistic goal setting, and a clear understanding of the costs and trade-offs involved.

A Significant Investment

The decision to buy a home will require a significant investment in time and money. Buying a home will mean such things as new responsibility for home maintenance and repair, paying property taxes, etc. These responsibilities may be balanced by the sense of security that often comes with homeownership and the potential to build equity in your investment over time. Buying in Seattle often means being closer to your job, services, and cultural amenities, with the ability to walk or take the bus instead of driving wherever you need to go. Savings on transportation costs may help offset a somewhat higher home payment.

Help in the Process

The home buying process is quite complicated. Fortunately, homebuyer education classes and homebuyer financial assistance programs are available to help people learn the details of homeownership. Several programs are targeted specifically to those who wish to buy within the Seattle city limits. Some have income or employment restrictions, while others are available more broadly. These programs will be discussed in more detail.

This PDF file describes:

- The home buying process
- Education and assistance programs
- Home repair assistance programs
- Agency contacts

In a nutshell . . . How to Buy a House

1. Get pre-approved for a mortgage. Before you even begin house-hunting, contact your bank or a local mortgage broker. Pre-approval puts you in the best position to buy when you find a house you want to purchase.

This process may also turn up problems you will need to work on, such as credit history.

2. Find a house, either by browsing yourself or working with an agent who will show you properties.

3. Make an offer and decide what you'll accept as a counter offer.

4. Have a professional inspection and an appraisal done.

5. Close the deal, pay the escrow company and sign the closing papers.

6. Move in.

The Process of Home Buying

Getting Ready to Buy

Getting ready to purchase a home, especially a first home, can seem like a very involved, complicated process. Some patience, good planning and knowledge can save you a lot of money and frustration.

The Real Estate Agent

Many buyers find it advantageous to work with a real estate agent. Since the seller almost always pays the commission, this is one of the few services you can get anywhere today where you don't pay directly.

If a home is listed for sale through an agent, you may make an offer directly with the listing agent or through a "buyer's agent." The listing agent represents the seller and tries to get the highest possible price for the seller. This agent signs a listing agreement with the seller and agrees to a commission. That commission is usually 6% of the selling price, and it is usually split 50/50 between the listing office and the selling office. The job of the buyer's agent is to represent the buyer's best interests. (Some buyer's agents charge the buyer a fee).

Ask for recommendations from friends and business associates. Check the agent's references. Does the agent have strong working relationships with lenders, title insurance companies, and escrow companies? Good agents have a solid understanding of present local market conditions, and some specialize in particular neighborhoods. Ask them to describe the market for you. You may want to sign a buyer's agreement. This agreement is usually structured so it can be cancelled by either party. Agents can also help you buy an unlisted home, but some arrangement for commission will be necessary.

The Lender

Mortgage brokers have access to numerous loan programs and may be able to find the best mortgage program to fit your specific needs. In addition, several of the homebuyer assistance programs mentioned in the next section are available through a specified lender. In general, you need to be pre-qualified by a lender before you begin the buying process. In the homebuyer education classes noted in the next section, you will learn more about what it takes to qualify for loans, as well as various types of loan options that may be available to you.

The lender will order your credit report, ask for income and credit history, and estimate the amount of loan you can qualify for. The lender should also be able to estimate the closing costs and total cash you will need. Your monthly payment will consist of loan principal, interest, insurance, and property taxes. Typically, the loan payment should be no more than 33% of gross income. All debt combined, including your home loan, should be no more than 40% of your gross income. Your lender may be flexible on these ratios.

The Buying Process

After you have found a good agent and are pre-qualified by a good lender, you and your agent can now accurately determine what you can buy. You can begin by searching by location, size, and price. Gather information about schools and neighborhoods. Consider the pros and cons of condominiums, townhomes and single-family homes.

Once you have found the home you want to buy, ask your agent to prepare a market evaluation on the home to estimate its value. The asking price may not be the same thing as "market value" or what the average buyer is willing to spend. Depending on market conditions, you may be able to negotiate a lower sale price. Some houses sell for more than list price, especially in overheated markets. Sometimes various "counter offers" are exchanged before a deal is final.

Terms, conditions (such as requiring an inspection) and closing dates can be the deciding factor by which an offer is accepted. There is an art to writing and presenting an offer. You may want an attorney to review your offer, which is a legal contract.

Contingencies

Often, an offer to purchase is made "contingent" upon certain events. Contingencies typically include a successful inspection by a structural engineer, achieving loan approval, and an adequate appraisal. If one or more of these contingencies is not approved by the buyer, the sale may be cancelled. All or some of the purchase deposit (earnest money) may be returned, depending on how the offer is written.

Structural Inspection

Once your offer has been accepted, it's time for a structural inspection. This inspection usually takes place within about five days after the offer has been accepted. Typically an inspection costs between \$300 and \$500 depending on the size of the house and should take about three to four hours. You and your agent should be with the inspector throughout the entire process. The buyer generally pays for the inspection, but this is negotiable.

The purpose of an inspection is to find any major structural defects. You want to know the condition of the home so you are well informed about necessary repairs or future maintenance. Condition of roof and foundation are important. Does the house have water or drainage problems? Has the home had any settling problems? Most older homes have had some settling that is normal, but is the settling continuing? Has the electrical service been updated? What condition is the plumbing in? Have the pipes in the basement been updated? What condition is the furnace in, and what is its life expectancy? Are there any signs of termites or carpenter ant infestations?

These are some of the major things a buyer needs to look at during the inspection. If you find any of these conditions, determine a reasonable cost to fix them. The inspector will discuss the specific details of the structure with you. You may then decide to proceed with the sale, negotiate for repairs, or negotiate a different price, depending on the outcome.

Appraisal

After the inspection and removal of any inspection contingencies, the lender will order the appraisal. The lender wants to know if the loan you are requesting can be justified by market value. The appraiser, usually an independent appraisal company, will inspect and measure the house, take photos, find at least three or four comparable sales in the area, and conduct an analysis. Usually within three days they send their appraisal to your lender. Assuming the appraisal comes in at or above the price, loan approval is granted; everyone moves on to the closing phase of the transaction. You may request a copy of the appraisal.

Signing, Closing & Possession

Both the seller and buyer, at different times, will sign all the closing papers (and there are a lot of them) usually three or four days prior to closing. In Washington, this is commonly done through an escrow agent. Most of the closing documents are standard documents, and rarely are there any mistakes; but, you should review the paperwork. You may want to have a copy of your closing documents sent to you a day or so before you go in to sign, so you (and your attorney, if you so choose) have some time to review them.

Closing and possession do not necessarily take place at the same time. Closing is when the Deed of Trust is recorded with the County and all the funds are dispersed. Possession is when you actually take possession of the property.

The escrow agent will contact you and tell you the exact amount of money you need to bring in. It is often most convenient to have the funds wired to escrow, but cashier's checks are also accepted. The escrow agent will give you wiring instructions that you will give to your bank. There can be a small wire transfer charge for this. Allow for about an hour for the signing process. Your real estate agent and mortgage representative can be present at closing to assist with any questions as well.

In two or three days, the transaction is recorded, funds are dispersed, and you own your home. Then, depending on what terms you negotiated for possession, you move in. Some sales are structured as a lease-to-own, and occupancy is before closing (with rent paid to the seller). Remember to arrange for utilities to be turned on in your name.

Once buyers close on the property, they can be held liable for any damages that may occur on the property. If possession takes place after closing, be sure to negotiate issues such as liability, utilities and "rent."

Home Buyer Education

Home buyer education classes are highly recommended for first-time buyers and are mandatory for some assistance programs.

The Washington Homeownership Center

Phone: (866) 600-6466 or (206) 587-5641 www.homeownership-wa.org

WHC is a no-fee, nonprofit information and referral agency that provides information about home ownership and makes referrals to programs and services. WHC provides information on down payment assistance programs, debt and credit counseling services, first-time homebuyer education classes, home repair programs, mortgage lenders and realtors.

HomeSight

Phone: (206) 760-4200 www.homesightwa.org

HomeSight is a non-profit Community Development Corporation. They provide comprehensive homebuyer services including pre-purchase homebuyer education, financial counseling and loan assistance to help make home purchases more affordable. Buyers utilizing land assistance or purchasing a HomeSight home must complete the HomeSight Education Program.

Fremont Public Association

Phone: (206) 694-6700 www.fremontpublic.org

The Fremont Public Association (FPA) provides mortgage default counseling to current homeowners to help them prevent mortgage default. FPA also provides reverse equity mortgage counseling for seniors to help them stay in their homes.

El Centro de la Raza

Phone: Arturo Gonzolez (206) 329-7960 www.elcentrodelaraze.org

El Centro provides Spanish-language five-hour homebuyer seminars emphasizing household financial management for default prevention. Certified by the Washington State Housing Finance Commission, they also present debt and credit counseling to prepare for homeownership.

International District Housing Alliance (IDHA)

Phone: Elaine Magil (206) 623-0122 www.apialliance.org

The International District Housing Alliance provides homebuyer education and one-on-one housing counseling services in Vietnamese, Cambodian, Tagalog and various Chinese dialects, including Cantonese, Mandarin and Taiwanese.

Urban League

Phone: Linda Taylor (206) 461-3792 www.urbanleague.org

The Urban League offers homeownership seminars and one-on-one follow-up counseling providing pre-purchase assistance and mortgage default education.

Financial Institutions

Most private financial institutions, such as banks, offer homebuyer education programs to loan applicants. Loan officers can also provide information on special financing such as VA, FHA, and HUD loans.

Home Buyer Assistance: Employee Programs

The City of Seattle and HomeStreet Bank sponsor employee home purchase financing options. These programs can offer substantial savings on closing costs, more flexible loan terms, quicker approvals, and local servicing after closing. There are no income limits, and you do not need to be a first-time buyer. Homes must be purchased for owner occupancy within the Seattle City limits.

HomeStreet Bank (206) 628-0207 www.homestreetbank.com

Seattle Office of Housing (206) 684-0721 www.seattle.gov/housing

Hometown Home Loan Program

City of Seattle and other area employers offer participants a variety of favorable loan options (including discounts on all non-federally regulated up-front closing costs and a 50% reduction in loan origination fees) when purchasing a home within city limits.

Location Efficient Mortgages Program

This program assists homeowners who choose an in-city home convenient to work and transit. Homeowners who are less dependent on a car may have more money available to spend on a home. The Location Efficient Mortgage may qualify them for a more expensive home than they might otherwise be able to afford.

Home Buyer Assistance: Other Programs

Other Home Buyer Opportunities in Seattle

The City of Seattle Office of Housing provides funding for several nonprofit and for-profit groups to develop affordable homeownership opportunities in the city. Funds are available via competitive application and consist of federal HOME program dollars as well as Housing Levy funds approved by Seattle voters in 2002.

HomeSight

Phone: (206) 723-4355 (206) 760-4200 (888) 749-HOME

www.homesightwa.org or www.firsthomebuyers.org

HomeSight is a nonprofit organization specializing in first-time homebuyer purchase assistance and the development of affordable housing. HomeSight creates affordable single-family homes and town homes in Seattle, South King County, and Snohomish County. HomeSight provides homebuyer education classes and down payment assistance to help low-income first-time buyers purchase homes.

Federal Home Loan Bank (FHLB)

Phone: (206)340-8709

www.fhlbsea.com

This program is offered to households who live in public housing and are enrolled in the Seattle Housing Authority's Family Self-Sufficiency Program. For every dollar the household puts into a designated escrow account for the purchase of a home, the Federal Home Loan Bank will match it on a \$2 for \$1 basis, up to \$10,000. FHLB loans are available through several local financial institutions.

Washington State Housing Finance Commission

Phone: (206) 464-7139 or (800) 767-HOME

www.wshfc.org/buyers

The Commission offers 30-year, fixed-rate mortgages with below-market interest rates to first-time homebuyers and 10-year down payment assistance loans with 5% interest rates.

HomeChoice Program

Home ownership program for people with disabilities or borrowers who have a dependent with a disability.

House Key Program

Low-interest rate loan program for first-time homebuyers.

House Key Plus

Down payment and closing cost assistance program.

House Key Plus Seattle

Up to \$45,000 in gap financing for qualified Seattle homebuyers.

Seattle Habitat for Humanity

Phone: (206) 292-5240

www.seattle-habitat.org

Habitat for Humanity is an international nonprofit organization that helps low-income individuals and families become homeowners. Through a self-help component, or sweat-equity, volunteers help selected homebuyers build or rehabilitate their own homes. By working on building their own home and helping other participants, home buyer "sweat equity" replaces the cash down payment required for conventional home purchases. Habitat provides a no-interest, 20- to 30-year mortgage and collects a monthly mortgage payment of \$300 to \$500 (based on family income) until the home is paid off, at which time the home becomes the property of the buyer. Families are selected on the basis of need: Currently living in substandard or over-crowded housing, with an income below 50% of Seattle area median income.

Home Repair Assistance

The City of Seattle Office of Housing offers several programs to help current low-income homeowners keep their homes in good repair. Funds are available through the Housing Levy as well as grants from Seattle City Light and Bonneville Power.

Consolidated Minor Home Repair

Phone: (206) 448-5751

www.seniorservices.org

City of Seattle contracts with Senior Services to provide this program. Lower-income elderly/disabled Seattle homeowners may receive up to \$4,000 in minor home repair services over a three-year period. These services may include electrical, plumbing and carpentry repairs. Phone for additional information or to make a service request.

HomeWise

Phone: (206) 684-0244

www.seattle.gov/housing

The HomeWise program offers Seattle homeowners low-interest home improvement loans and weatherization grants to preserve and maintain their home. Homeowners must meet certain income requirements for this City of Seattle program.

Predatory Lending

In recent years, some lenders have taken advantage of unsuspecting homeowners and new homebuyers through a process called "predatory lending". These lenders market loans with high interest rates and excessive fees.

Their practices have included:

- Charging excessive and/or hidden fees
- Successively refinancing loans at no benefit to the borrower
- Making loans without regard to the borrower's ability to repay
- Engaging in high-pressure sales tactics
- Outright fraud and deception

The most financially vulnerable homeowners are often targeted. These abusive practices have stripped borrowers of home equity and threatened homeowners with foreclosure. For more information on predatory lending practices, contact the Community Home Ownership Center.

If you believe you have been a victim of predatory lending practices and want to file a complaint, contact:

City of Seattle Office for Civil Rights: (206) 684-4500 or

Community Home Ownership Center: (206) 587-5641

Other Agency Contacts

Seattle Mortgage Bankers Association

1904 Third Avenue #633
Seattle, WA 98101
www.seattlemba.org

King County Association of Realtors

12015 115th Ave. N.E., Suite 195
Kirkland, WA 98034
www.nwrealtor.com

Recommended Reading

The Keys to Homeownership

Available for \$8 (including shipping and handling) from:

National Foundation for Credit Counseling
PO Box 753
Waldorf, MD 20604
(301) 598-5600 (extension 20)

Some material for this booklet excerpted with permission
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First Printing: December 2001